

AR01



File
j. harris and sons limited

ANNUAL REPORT

1967

Reinforcing Steel • Mesh • Fabrication • Detailing • Placing • Steel Forms • Form Hardware

j. harris and sons, limited

DIRECTORS MONTE C. BEDER Toronto, Ontario
MILTON E. HARRIS London, Ontario
SAM HARRIS London, Ontario
EDWARD RICHMOND, Q.C. London, Ontario
NATHAN L. SANDLER Toronto, Ontario

OFFICERS SAM HARRIS Chairman of the Board
MILTON E. HARRIS President and Treasurer
EDWARD RICHMOND, Q.C. Secretary

AUDITORS Perlmutter, Orenstein, Giddens, Newman and Kofman

SOLICITORS Richmond, Richmond and Stambler

**REGISTRAR AND
TRANSFER AGENT** Guaranty Trust Company of Canada

BANKER Canadian Imperial Bank of Commerce

EXECUTIVE OFFICES 747 Hyde Park Side Road, London, Ontario

FINANCIAL HIGHLIGHTS

	For the 50 weeks ended June 17, 1967	For the 52 weeks ended June 30, 1966
Net Earnings — per Financial Statements	\$216,841	\$149,555
Per Share54	.37
Net Earnings — Adjusted (Reflecting Con-Steel Setting Company earnings for equal periods and 1966 net earnings as per prospectus)	294,701	292,697
Per Share74	.73
Cash Flow	514,039	342,249
Per Share	1.29	.86
Cash Flow — Adjusted	591,899	485,391
Per Share	1.48	1.21
Working Capital	\$997,434	\$947,112

TO THE SHAREHOLDERS



In this our first annual report to shareholders as a public company, I would like to review for you the results of our operations for the fiscal year ending June 17, 1967 and discuss with you prospects for our company in the future.

If you will examine "The Financial Highlights" on the preceding page, you will see a comparison of the operation of your company for the 1967 and 1966 fiscal years adjusted to conform to "Pro Forma Combined Statement of Earnings" as shown in the prospectus. This comparison is necessary

because your company only acquired Con-Steel Setting Company as of February 17, 1967 and the profits of Con-Steel Setting Company had to be added for the entire period. In spite of the strikes in the construction industry in the Metro Toronto area which began last spring and affected us in the latter part of our fiscal year, we can report an increase in earnings from 73 cents per share for the adjusted 52 weeks in 1966 to 74 cents for the adjusted 50-week period in 1967. Particularly gratifying is the increase in adjusted cash flow from \$1.21 to \$1.48 per share. Fortunately, these strikes have now been settled.

Our reinforcing steel, fabrication and erection division has continued to improve its efficiency and expand its marketing area. I am pleased to report that your company is now firmly established in the Maritime Provinces and looks forward to an excellent future in this area of Eastern Canada.

We are continuing to develop our concrete joist forming division which is making excellent progress. We are now expanding the range of products offered in concrete joist forms and are preparing to further expand our marketing area. Our marketing research indicates strongly that the potential for this product in North America is very large and we are very optimistic about the addition this division will make to future earnings of the company.

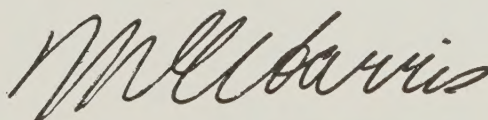
Your company acquired the inventory, accounts receivable, equipment and name of Saunders Form Hardware from Saunders Form Hardware Limited, a company owned by the bankrupt Prudential Finance Company. This company had a successful record of earnings in the past. In its last full fiscal period before the Prudential bankruptcy in November 1966 Saunders earned \$96,516.00 before taxes and withdrawals by Prudential Finance. The assets were purchased at a substantial discount and the realization on the inventory and accounts receivable has been excellent.

Saunders products, which include wire supports for concrete reinforcing, wire ties for concrete forms, all types of form hardware, expansion joint material, as well as hundreds of other products for the construction industry were a perfect complement to the products sold by J. Harris and Sons, Limited. The additional marketing personnel has been integrated with our own staff. We have completely reorganized the Saunders operation and have split it into two major divisions. We have expanded channels of distribution and anticipate a considerable increase in business from this source. I am confident in predicting that Saunders products will add two million dollars to our sales and a substantial contribution to our earnings by fiscal 1969.

Your company has also launched a vigorous program of new product development and wider distribution, through both our internal organization and by the acquisition of other companies. In this regard, we have recently purchased equipment and a corporate shell, Laurel Steel Products Limited, to engage in the manufacture of several new products under the Saunders division.

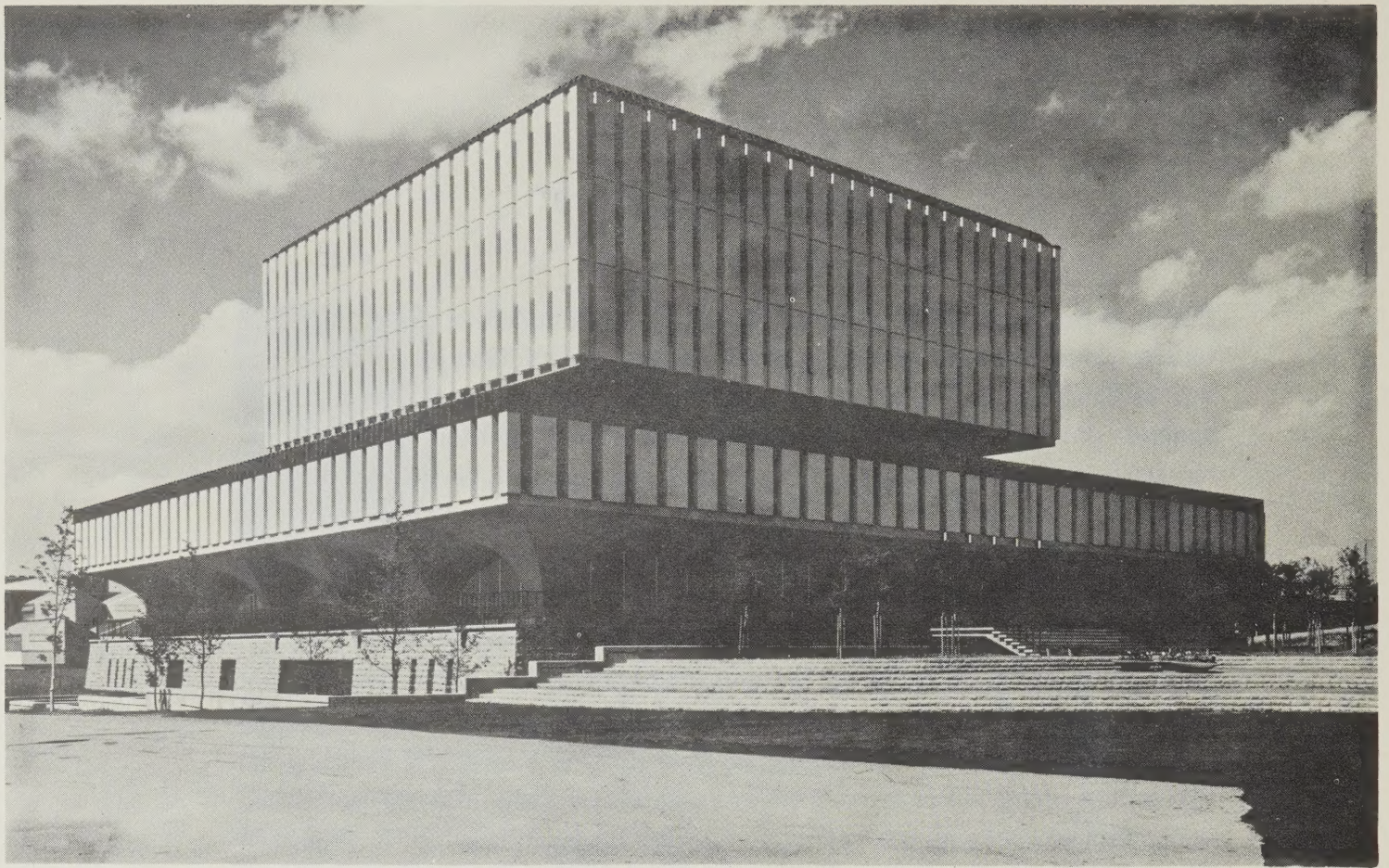
A recent economic study of the construction industry in Canada projected to 1975 shows a 2½ per cent per year gain in real dollars for construction as a whole in this country, but the reinforced concrete segment of the industry is forecast to gain 11 per cent per year in real dollars through the same period. The management of your company is convinced that our best prospect for dynamic growth lies in further expansion and diversification in the reinforced concrete segment of the construction industry.

On behalf of the board of directors I should like to pay tribute to our management team, and our entire staff, without whose vigorous efforts your company would not have been able to achieve the results outlined in this report. To the new members of the management team who have joined with us since we have become a public company, I would like to say "welcome aboard", and I am sure that your efforts will add greatly to the success of the company.

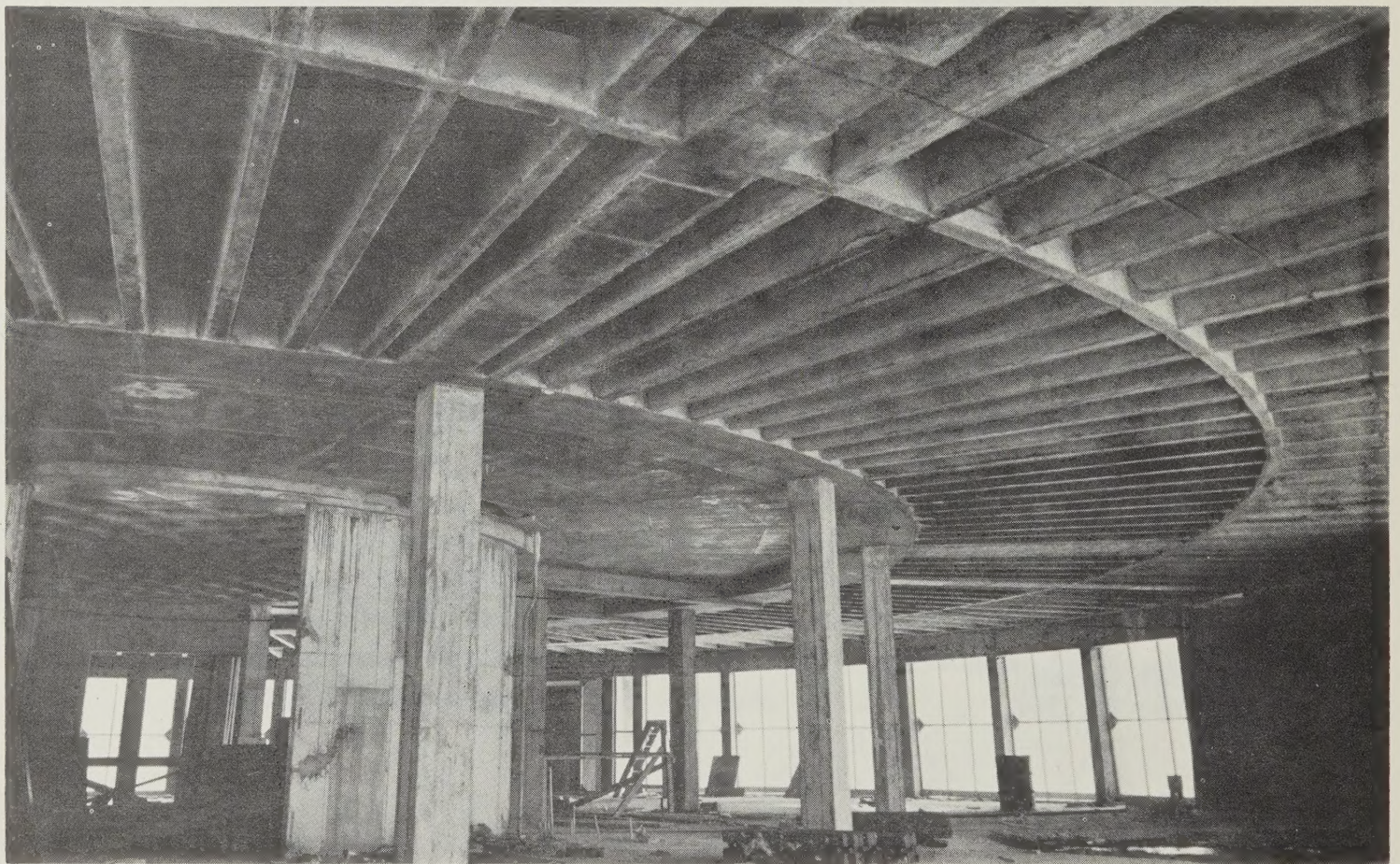
A handwritten signature in cursive script, appearing to read "M. Harris".

President

London, Ontario,
October 30, 1967.



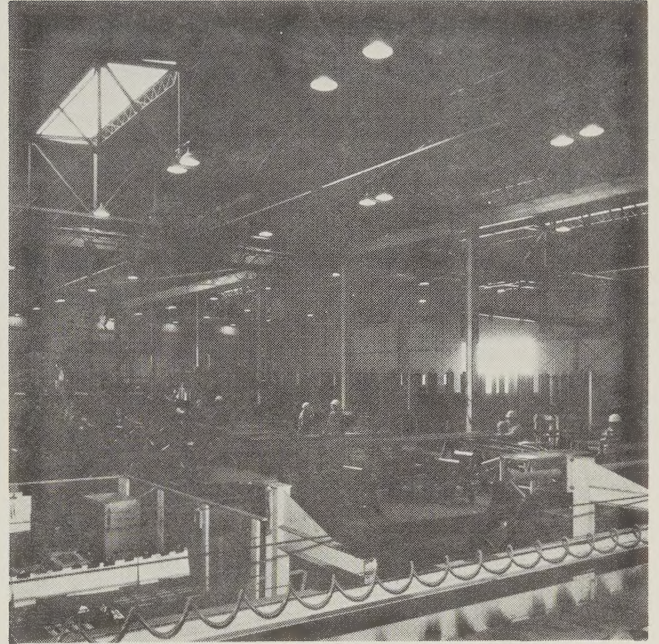
University of Waterloo — Arts Library



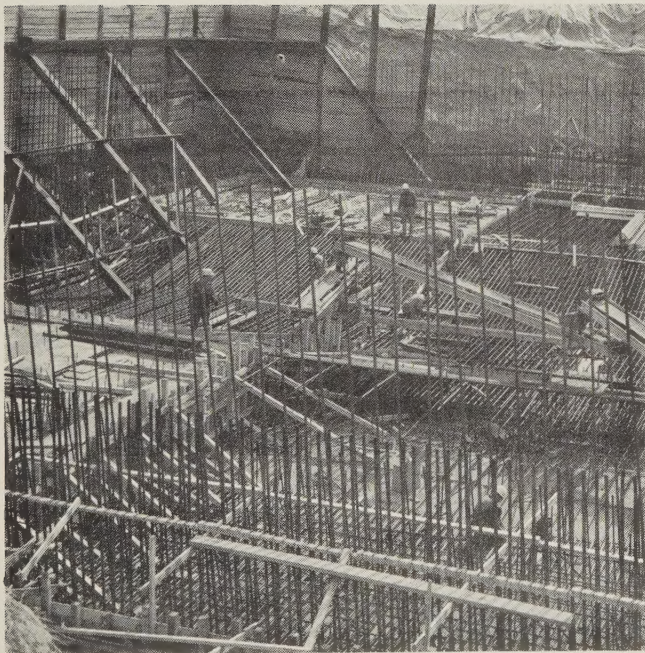
Steel Form Construction — Ontario Hospital, London, Ontario



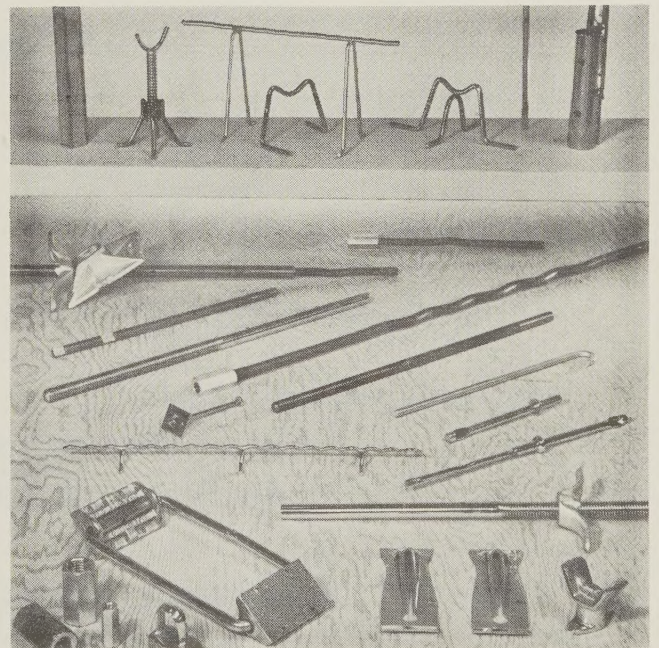
Detailing Department



Interior of Main Fabricating Plant
Stoney Creek, Ontario



Concrete Reinforcing Steel Construction — Pilkington
Glass Plant, Toronto, Ontario



Products produced and distributed
by Saunders Form Hardware

ons as at June 30, 1966

LIABILITIES

CURRENT	1967	1966
Bank indebtedness (Note 3)	\$ 383,479	\$ 424,987
Accounts payable and accrued liabilities	1,240,819	1,697,926
Loan payable	154,375	191,752
Taxes payable	147,785	288,749
Due to shareholders	34,830	
Current portion of long-term debt	25,946	24,000
	<u>1,987,234</u>	<u>2,627,414</u>
LONG-TERM DEBT		
Mortgage payable (Note 4)	289,216	313,204
Less — Amount included in current liabilities	25,946	24,000
	<u>263,270</u>	<u>289,204</u>
DEFERRED INCOME TAXES (Note 5)	653,223	501,713
Total liabilities	<u>2,903,727</u>	<u>3,418,331</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 6)	101	46,401
RETAINED EARNINGS	1,106,256	922,017
	<u>1,106,357</u>	<u>968,418</u>
	<u>\$4,010,084</u>	<u>\$4,386,749</u>

The accompanying notes to financial statements form an integral part of this balance sheet and should be read in conjunction therewith.

THE SHAREHOLDERS

and earnings and source and application of funds for the fiscal period ended on that date. Our examination included a general review of the circumstances.

Our examination presents fairly the financial position of the Company as at June 17, 1967 and the results of its operations for the fiscal year ending year.

PERLMUTTER, ORENSTEIN, GIDDENS, NEWMAN & KOFMAN,
Chartered Accountants.

j. harris and sons, limited

STATEMENT OF EARNINGS

for the fiscal period ended June 17, 1967 (50 weeks)
compared with the year ended June 30, 1966 (52 weeks)

	1967	1966
GROSS REVENUE	<u>\$8,038,757</u>	<u>\$8,008,147</u>
EXPENSES		
Manufacturing, administrative and selling	7,306,213	7,354,956
Interest — long-term debt	23,696	23,075
— other	22,869	32,911
Depreciation	145,688	105,377
Remuneration to directors and senior officers	109,689	195,294
	<u>7,608,155</u>	<u>7,711,613</u>
Earnings before taxes on income	<u>430,602</u>	<u>296,534</u>
Taxes on income	<u>213,761</u>	<u>146,979</u>
NET EARNINGS	<u>\$ 216,841</u>	<u>\$ 149,555</u>

*The accompanying notes to financial statements form an integral part of this statement
and should be read in conjunction therewith.*

STATEMENT OF RETAINED EARNINGS

for the fiscal period ended June 17, 1967 (50 weeks)
compared with the year ended June 30, 1966 (52 weeks)

	1967	1966
BALANCE — at beginning of period	\$ 922,017	\$ 772,462
Add — Net earnings for the period	<u>216,841</u>	<u>149,555</u>
	1,138,858	922,017
Less — Stock dividend and tax on Election under Section 105(2) of the Income Tax Act	<u>32,602</u>	
BALANCE — at end of the period	<u>\$1,106,256</u>	<u>\$ 922,017</u>

*The accompanying notes to financial statements form an integral part of this statement
and should be read in conjunction therewith.*

j. harris and sons, limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the fiscal period ended June 17, 1967 (50 weeks)
compared with the year ended June 30, 1966 (52 weeks)

SOURCE OF FUNDS	1967	1966
Operations		
Net earnings for the year	\$216,841	\$149,555
Add — Charges not requiring an outlay of funds		
Depreciation	145,688	105,375
Deferred income taxes	151,510	87,317
	<u>514,039</u>	<u>342,247</u>
APPLICATION OF FUNDS		
Additions to fixed assets	358,881	274,467
Redemption of preference shares	46,300	
Election under Section 105A of the Income Tax Act	32,602	
Provision for payments on long-term debt	25,934	20,796
	<u>463,717</u>	<u>295,263</u>
INCREASE IN WORKING CAPITAL	50,322	46,984
Working capital at beginning of period	<u>947,112</u>	<u>900,128</u>
Working capital at end of period	<u><u>\$997,434</u></u>	<u><u>\$947,112</u></u>

j. harris and sons, limited
NOTES TO FINANCIAL STATEMENTS
June 17, 1967

1. INVENTORIES \$551,035

Raw materials	\$414,246	
Finished goods	74,117	
Work-in-progress	62,672	<u>\$551,035</u>

2. FIXED ASSETS \$975,416

	Cost	Accumulated Depreciation	Net
Real estate	\$ 266,210	\$ 38,654	\$227,556
Machinery and equipment	671,443	239,934	431,509
Forms	252,037	45,202	206,835
Vehicles and cranes	307,849	198,333	109,516
	<u>\$1,497,539</u>	<u>\$522,123</u>	<u>\$975,416</u>

3. ASSETS PLEDGED

As security for its bank indebtedness, the Company has executed a general assignment of book debts.

4. MORTGAGE PAYABLE \$289,216

United Dominion Investment Limited, 8%, due September 1, 1975. The aggregate amount of principal payments required in each of the next five years is as follows:

1968	\$25,946
1969	28,063
1970	30,353
1971	32,829
1972	35,509

5. DEFERRED INCOME TAXES \$653,223

Income taxes charged to operations on

(1) Holdbacks totalling \$612,258 included in accounts receivable but not included in determining taxable income	\$318,374
(2) Excess of capital cost allowance for income tax purposes over depreciation provided in statements totalling \$581,271	302,260
(3) Work-in-progress totalling \$62,672 not included in determining taxable income	32,589
	<u>\$653,223</u>

6. CAPITAL STOCK

Common — Authorized, 1,000,000 common shares without par value;

issued and outstanding, 400,000 shares \$ 101

By Supplementary Letters Patent dated April 27, 1967 the capital of the Company was reclassified sub-divided and changed to the present authorized and issued capital of the Company.

Prior to April 27, 1967 the Company filed an Election under Section 105(2) of the Income Tax Act with respect to the amount of \$32,680. A stock dividend totalling \$27,700 was declared by issuance of 277 preference shares of par value \$100 per share. All preference shares then outstanding were redeemed.

7. DEPRECIATION

Upon completion of the Hamilton Plant in June 1965 depreciation was provided on a straight line basis at the following rates applied to net book value at that date with subsequent additions at cost.

Buildings	10%
Machinery and equipment	10%
Forms — Pans	20%
— Caps and pellets	50%
Mobile vehicles	33⅓%
	(after providing 20% residual)
Cranes	10%

In previous years depreciation was provided at the maximum rates permitted under the Income Tax Act, the effect of which was to provide an additional immaterial amount of depreciation in those years.

8. PENSION PLAN

The plan is contributory as to current service contributions and non-contributory as to past service contributions. Subject to amendment of the plan at the option of the Company, there is no remaining past service liability as at June 17, 1967.

9. On August 24, 1966 the Company was re-assessed \$7,250 by the Department of National Revenue for the 1964 taxation year as being Associated with Ethel Harris Enterprises Limited under Section 138(2) of the Income Tax Act. A notice of objection was filed November 17, 1966. Notification by the Minister has not been received to date. There has been no provision made for possible additional taxes on income due to deemed association for the 1964 and subsequent years. For the 1965 and 1966 Taxation years the maximum amount of re-assessment could not exceed \$10,150 for each year. In the opinion of counsel, the objection should be upheld.

10. STOCK OPTION PLAN

There are 25,000 treasury shares under option to key employees at \$4.75 per share, which options expire in 1972.

PLANTS AND DIVISIONS

Reinforcing Steel

Main Fabricating Plant Stoney Creek, Ontario
Lakehead Port Arthur, Ontario
Western Ontario London, Ontario
Southern Ontario Windsor, Ontario
Maritimes Dartmouth, Nova Scotia
Sales Office Toronto, Ontario

Erection Division

Con-Steel Setting Company

Form Hardware

Saunders Form Hardware Agincourt and Ottawa, Ontario
Distributors throughout Ontario and in Montreal



